

GUIDE TO THE BUDGET DOCUMENT

This is one of two documents presenting the County's proposed budget for Fiscal Year 2004 (FY2004). The Operating Budget (which is described here) underwrites the County's day-to-day operations. The six-year Capital Improvement Program (CIP) is the County's spending plan for capital facilities—buildings, roads, parks, and the like—through Fiscal Year 2009. The CIP and the Capital Budget (which consists of capital spending anticipated in FY2004, the first year of the six-year CIP) are described in a separate document, *The Proposed Capital Budget and Program*. For a synopsis of the material presented in this document, the reader should refer to the Budget Overview section, which follows.

FUNDS INCLUDED IN THE OPERATING BUDGET

To budget and account for government receipts and expenditures, the County creates various "funds" within the Operating and Capital budgets. Fund accounting is required by State and Federal regulations, the County Charter, and Generally Accepted Accounting Principles (GAAP). The Operating Budget uses five major types of funds: the General Fund, Internal Service Funds, Enterprise Funds, Special Revenue Funds, and Other Funds.

The **General Fund** is the County's most important operating fund, accounting for approximately 83% of the Operating Budget. This fund supports the provision of the vast majority of County government services—police, fire, corrections, the courts, education, general government, and the like. Most of the public's tax dollars end up in the General Fund, as do most user charges, license and permit fees, and certain dedicated and non-dedicated revenues from the State and Federal governments.

Internal Service Funds are used to finance, administer, and account for the provision of goods or services by one agency for other agencies *within the County government*. Thus, the Fleet Management Internal Services Fund is used to account for fees charged to agencies by the Fleet Management Division of the Office of Central Services for repairing and maintaining the vehicles owned and operated by the County. The Information Technology Internal Service Fund is used to account for the operations of the County's data processing and computer services. Agencies pay user charges to the Information Technology Fund for office automation equipment, use of the County's Office Automation Network, system maintenance, and other services provided by the County's data processing contractor.

Enterprise Funds are used to account for certain self-supporting public services that generate their own revenues from fees, charges, and other receipts. The Stormwater Management Enterprise Fund is used to account for and support the County's stormwater management functions (flood plain and storm drain maintenance, rehabilitation and repair of flood channels, permit issuance, etc.), which were transferred from the Washington Suburban Sanitary Commission (WSSC) in FY1988. The fund is supported by a Stormwater Management ad valorem tax of 13.5 cents per \$100 of assessed value for personal property (3.0 cents per \$100 in some areas) and 5.4 cents per \$100 of assessed value for real property (1.2 cents per \$100 in some areas) plus revenues from permit fees and interest income.

The Solid Waste Enterprise Fund supports a wide variety of environmental, recycling, and solid waste collection and disposal services. These include the development, operation, and maintenance of the County's landfills; bulky trash collection, roadside cleanup, and abandoned vehicle control; refuse disposal activities; the County's recycling program; housing code enforcement; and various environmental planning, management, and capital construction activities. The fund is also used to account for and administer

revenues and expenditures associated with the County's residential and commercial refuse collection. The Solid Waste Enterprise Fund is supported by revenues from several sources, including charges to property and business owners for recycling, bulky trash collection, and certain capital and other non-operating expenses associated with solid waste disposal; tipping fees and related assessments charged for the use of the Brown Station Road Landfill; abandoned vehicle recoveries; recoveries from property owners under the Clean Lot Ordinance; and fees paid by property owners for commercial and residential refuse collection services.

Special Revenue Funds are used to account for special taxes or other dedicated revenues that the Maryland General Assembly or the County Council require be used for a specialized purpose and which must therefore be kept separate from other County monies. The Debt Service Special Revenue Fund provides for the payment of interest, principal, and service charges on the County's general obligation bonds and State participation loans. The Collington Center Special Revenue Fund is used to account for revenue generated from the sale of property within the Collington Center, a County-owned business park of approximately 1,280 acres located on U.S. Route 301.

The Property Management Services Special Revenue Fund was established to account for receipts from the disposition of surplus real property by the County. Costs associated with the disposition of such properties are also paid out of this fund. The Domestic Violence Special Revenue Fund is used to account for the proceeds of a marriage license surcharge collected to assist in financing battered spouse shelters and domestic violence programs. The fund also receives a contribution from the General Fund to support contracted shelter services.

The Drug Enforcement and Education Special Revenue Fund is designed to help finance the costs of drug enforcement and drug-related education activities within the County. Revenues are generated from the forfeiture and sale of property seized as a result of drug enforcement activities. Proceeds, net of revenue received as a result of Federal forfeiture actions, are deposited in the fund and divided between the Police Department (which receives 65%), the Health Department (20%), and the Office of the State's Attorney (15%) to help support narcotics enforcement and drug education efforts by these agencies. However, if the property is seized by the Office of the Sheriff instead of the Police Department, the Sheriff receives 65% of the proceeds. Federal forfeiture revenues are also deposited in the fund. The allocation of these funds is subject to Federal regulations.

One **Other Fund** is used to budget and account for County operating expenditures. The Federal and State Aided Programs Fund is used to account for and administer the County's many State and Federal grants.

BUDGET STRUCTURE AND CONTENT

Structure of the Operating Budget

The major components of this document include summaries of anticipated revenues and appropriations; total funding and source of funds for each department; position complements by department and by funding source; detailed explanations of departmental budgets; a description of each of the County's funds; and other supporting schedules and supplementary information such as agency mission statements and performance measures.

The expenditure section of the budget is divided into Function groupings such as Public Safety or Criminal/Civil Justice, which are further subdivided by department or agency, such as the Police

Department or the Department of Corrections. These organizations are sub-classified by Activities, such as Bureau of Patrol or Security Operations Division.

Budget Format

The County's Operating Budget is organized so that all programs and services performed by an agency or department, including those funded by non-General Fund sources, are shown as part of the agency or department. Each agency budget begins with a ***mission statement***. The mission statement summarizes the agency's purpose—its reason for existence—and the general goals it wishes to achieve. Next is the agency's ***organization chart*** and a brief description, in bulleted format, of the services provided by the agency, plus a listing of program initiatives and highlights for the current fiscal year. This is followed by the ***overview***: a discussion of the FY2004 budgeted service levels, service delivery options, revenue and staffing levels, and other information of interest on new or continuing programs and services.

Next is a ***summary of expenditures*** for agencies that receive funding from more than one fund—for example, the General Fund and the Federal and State Aided Programs (Grants) Fund. A table shows the FY2002 actual expenditures, budgeted and estimated spending for FY2003, and total proposed FY2004 expenditures for the agency from each fund. These figures, as well as the percentage change from the current budget, are given for the agency as a whole and for each unit of the agency. Pie charts are included to illustrate the mix of funding sources.

The ***staff summary*** page which follows shows the agency's positions by type of employee (full time, part time, limited term) and funding source. The proposed FY2004 staffing is compared to the previous year's level. Limited term staff are employed under renewable personnel service contracts for periods not exceeding one year. They serve in operations where continued funding is not assured from year to year. Although limited term personnel are employed predominately in grant programs, a small number of these employees are funded in the General Fund from non-County revenues. The staff summary also includes a chart titled Positions by Category. The categories are tailored to each agency. For example, the Library System's budget pages show how many librarian branch manager positions are proposed for FY2004. The Police Department's staffing by category shows the total number of funded sworn police officer positions broken into categories such as investigators and patrol officers, front line supervisors (sergeants and lieutenants), and police officials (captains and majors), plus the various kinds of civilian positions (crossing guards, evidence technicians, etc.).

Charts summarizing ***five-year trends*** for expenditures and staffing are provided next, followed by a table of actual, estimated and projected ***performance measures*** for the period FY2000-FY2004. These measures characterize past and anticipated results of budget allocations and decisions—i.e., levels and trends in the workload handled, the efficiency of operations, and/or the effectiveness of the services produced. Data for these measures have been provided by the relevant agencies and are drawn, for the most part, from routine agency records.

A ***summary of the General Fund allocation*** for the agency and its major divisions is presented next. The General Fund Summary shows budgeted amounts for compensation, operating expenses, capital outlay, recoveries, and fringe benefits. Descriptions of major cost elements, recoveries, key changes, and other considerations affecting the agency's General Fund Budget also are provided in this section, along with a chart that highlights the major types of operating expenses included in the agency's FY2004 proposed General Fund Budget. Another chart shows fringe benefits costs as a percentage of compensation costs over a three-year period.

For agencies that are *subdivided* into major divisions or “activities”, pages summarizing each activity are presented next. An activity page focuses on the expenditures and positions supported by a *single* fund (usually the General Fund). Each activity page includes a brief description of the responsibilities of the activity, plus a three-year summary of activity expenditures broken down by compensation, fringe benefits, operating expenses, capital outlay, and recoveries. Full time, part time, and limited term staffing levels for the current and budget years are also shown, and percentage changes comparing FY2004 to FY2003 adopted expenditure and staffing levels are included.

All agencies that administer grants include a **Grants Section** within the agency budget pages. A summary chart similar to that for the General Fund displays compensation, fringe benefits, operating expenses, capital outlay, and recoveries for the same budget years as shown in the All Funds and General Fund pages. The column headed “FY2002 Actual” contains expenditures against FY2002 budgeted grant awards. These are unaudited amounts and may not represent the final spending totals for that grant year. Descriptions of the major costs budgeted for grant programs are also provided. Another chart informs the reader of the number of staff positions supported by grant funds, comparing FY2003 with FY2004. The table that follows shows the spending amounts by budget year for each grant administered by the agency; percentage changes are also shown. Some County agencies contribute a portion of their General Fund appropriation as revenue to grants they administer. These amounts often reflect a required local match. In other instances, the local contribution reflects the priority given by the County to the grant program or service. If a County contribution from the General Fund is a part of the revenue supporting the agency’s grants, the amounts are indicated near the bottom of the chart as a transfer from the General Fund. Descriptions of all grants are provided in the appendix of this document.

If an agency is responsible for administering an **Internal Service**, **Enterprise**, or **Special Revenue Fund**, a fund description and expenditure detail are provided in the Other Funds section, along with a discussion of major costs supported by the fund.

BUDGETARY BASIS

The modified accrual basis of accounting is followed in the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Agency Funds. Under this method of accounting, revenues are recognized in the accounting period in which they become available and measurable (i.e., the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). Taxes, uses of money and property, charges for services, and intergovernmental and miscellaneous revenue are recognized when earned, with the exception of interest and penalties on property tax payments which are recognized when cash is received. With respect to property tax revenue, the County defines “available” to mean collectible within sixty days after the fiscal year’s end. Expenditures are recorded as liabilities when incurred, if measurable—except for unmatured interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is followed in the Enterprise, Internal Service, and Pension Trust Funds. Under this method of accounting, revenue is recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

The account which serves the function of the owner’s equity account in a profit-making organization is called the “fund balance” in government entities. An available balance in this account is the cumulative result of actual revenues exceeding expenditures. The fund balance for the General Fund can either be designated for future years (e.g. as a contingency reserve or for a subsequent year’s expenditure) or it can remain undesignated. Audited or final fund balances are not known until about five months after the end of the fiscal year.

While the above definition of “fund balance” is used for the ending balances shown in the General Fund and Special Revenue Funds, somewhat different definitions are used in connection with Internal Service and Enterprise Funds. The ending balance for an Internal Service Fund corresponds to net assets. On the other hand, the ending balance shown for an Enterprise Fund corresponds to the sum of available cash, and cash equivalents. The ending balance takes into account net operating revenues and expenditures and increases based on bond proceeds, offset by capital expenditures and by funds that must be held in reserve for future obligations.

Unless otherwise noted, the Budgetary Basis is used in this document when referring to the fund balance for the General Fund. Although the Budgetary Basis is clear, convenient, and widely used, it differs somewhat from the fund balance computed according to Generally Accepted Accounting Principles (GAAP). The Budgetary Basis differs from GAAP by excluding encumbrances, inventories, and designated expenditures for non-General Fund purposes (e.g. certain equipment expenditures). In particular, the Budgetary Basis treats reserves for encumbrances, which have not yet materialized by June 30 as expenses; GAAP shows them as a reservation of fund balance. Inventories are booked as an asset on the balance sheet and a reservation of fund balance under GAAP; they are reflected as an expense at the time of purchase under the Budgetary Basis. Under GAAP, certain purchase agreements for acquiring equipment are recorded as restricted assets, and related proceeds are shown as an Other Financing Source with a reservation for future years on the balance sheet; under the Budgetary Basis, annual payments to retire leases are shown as an expense to the General Fund, and the proceeds are not counted as a revenue.

SEMI-AUTONOMOUS AGENCIES

Those departments and agencies whose operating budgets are approved directly by the County Executive and County Council are included in this document. There are several semi-autonomous agencies whose operating budgets are not included in the County budget document. Certain semi-autonomous agencies also are not included in the County’s Capital Improvement Program (CIP). The accompanying table lists the semi-autonomous agencies and indicates whose budgets are not included in the County’s budget documents.

The Maryland-National Capital Park and Planning Commission (M-NCPPC), the Washington Suburban Sanitary Commission (WSSC), and the Washington Suburban Transit Commission - Washington Metropolitan Area Transit Authority (WSTC-WMATA) do not receive any of their funding from County General Fund revenues and prepare separate operating budget documents. Their operating budgets are not included in the County budget, nor is the WSSC’s or WSTC-WMATA’s capital budget included in the County CIP. However, the County Executive reviews and makes recommendations to the County Council on each of the budgets proposed by these agencies. The Council must then approve these budgets (or the portions affecting Prince George’s County).

The Board of Education, Library, and Community College are all financed at least in part from County General Fund revenues, and their operating and capital budgets are included in the County budgets. In addition, the Board of Education prepares a separate operating budget document that describes the Board’s spending plan in detail.

	RECEIVES COUNTY GENERAL FUND REVENUE	OPERATING BUDGET INCLUDED IN COUNTY DOCUMENT	PREPARES SEPARATE OPERATING BUDGET DOCUMENT
WSTC-WMATA*	No	No	Yes
Board of Education	Yes	Yes	Yes
Community College	Yes	Yes	No
Library	Yes	Yes	No
M-NCPPC	No	No	Yes
WSSC*	No	No	Yes
Industrial Development Authority	Yes	Yes	No
Redevelopment Authority	Yes	No	Yes
Housing Authority	No	No	Yes
Revenue Authority	No	No	Yes
*Also prepares separate capital budget document. All other agencies' capital projects are included in the County's CIP.			

COUNTY GOVERNMENT ORGANIZATION

Prince George's County operates under a "home rule" Charter which was adopted in November 1970. Under the Charter, the County is composed of an executive and a legislative branch. The **executive branch** enforces the laws and administers the day-to-day business of the County. It consists of a County Executive (elected by the qualified voters of the entire County) and all other officers, agents, and employees under the County Executive's supervision and authority, including the Chief Administrative Officer who is responsible for the day-to-day administration of the County. The **legislative branch** of the County consists of a nine-member County Council (elected by Councilmanic District) and its staff. The Charter limits the County Executive and the members of the County Council to two consecutive four-year terms in office.

The **judicial branch** of government, as specified by the Constitution and laws of the State of Maryland, consists at the local level of the Circuit Court, the District Court, and the Orphans' Court (which oversees the probate of decedents' estates, as well as the appointment and supervision of guardians for minors). In Prince George's County, the County Executive and the County Council approve the operating budgets of the Circuit and Orphans' courts. (However, the State provides funding for the Circuit Court judges, their law clerks, the Clerk of the Court, and certain other Circuit Court expenses.) The District Court is a State entity funded entirely by the State of Maryland.

The chart on page I-8 shows the organization of the County's executive branch. To avoid unduly complicating the organization chart, the Deputy Chief Administrative Officers (DCAOs) have not been

shown. The DCAOs report to the Chief Administrative Officer and are assigned functional responsibility for groups of agencies.

THE BUDGET PROCESS

The development of the Operating Budget involves three distinct phases: formulation of budget requests, executive review and proposal, and County Council review and adoption. The development of the Capital Budget involves a slightly different process and timing. The procedures used in preparing both the operating and capital budgets are summarized below. In addition, the Capital Budget document contains a detailed description of the capital budgeting process.

Development of the Operating Budget

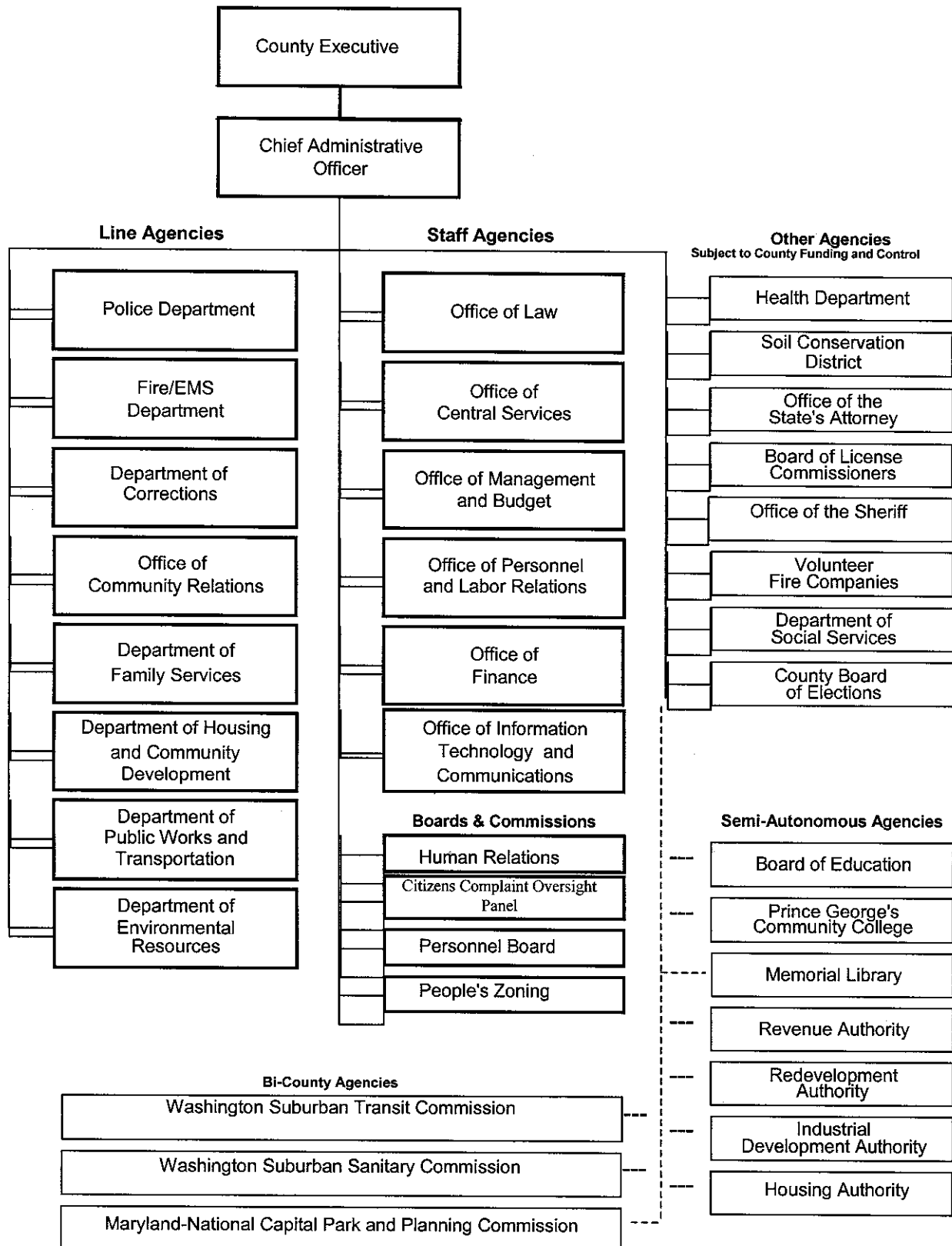
The Operating Budget is prepared over a ten-month period beginning in August and ending in May of the next calendar year. The sequence of events is as follows:

I. Formulating Budget Requests: August-December

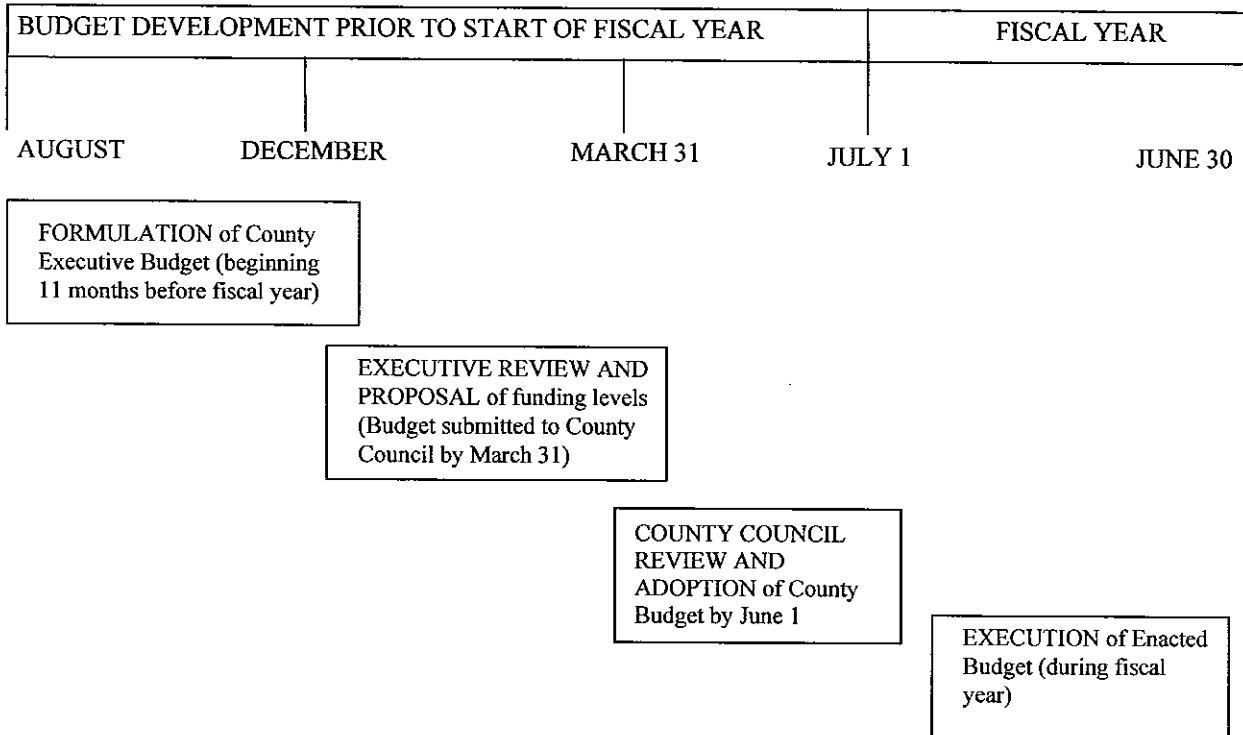
- In August of each year, the Director of the Office of Management and Budget briefs the County Executive and the Chief Administrative Officer on the financial outlook for the upcoming as well as successive fiscal years.
- At the beginning of October the Spending Affordability Committee presents its preliminary revenue projections.
- Based on this and other information, the Office of Management and Budget presents the County Executive with a recommendation for a preliminary budget target. The County Executive then determines the parameters for the entire County budget. The Office of Management and Budget uses this target to develop the budget instructions that are issued to agencies, usually in early November.
- In November and December, agency heads assess their departmental needs, prepare their operating budget requests, and submit them to the Office of Management and Budget. The requests are usually due by the middle of December.

PRINCE GEORGE'S COUNTY ORGANIZATIONAL

Executive Branch



MAJOR STEPS IN THE BUDGET PROCESS



II. Executive Review and Proposal: December-March

- The Spending Affordability Committee presents its final report at the end of December.
- Budget requests are reviewed by Office of Management and Budget staff during the months of December and January. Meetings are held between agencies and the Office of Management and Budget to review budget submissions.
- The County Executive holds at least one public hearings on the budget during the month of January.
- The County Executive meets with agency heads and Office of Management and Budget staff to determine specific funding levels to be contained in the Operating Budget.
- The County Executive submits a Proposed Operating Budget to the County Council no later than March 31.

III. County Council Review and Adoption: April-May

- The third stage of the budget cycle is the legislative review of the Proposed Operating Budget. During this time, the focus of the budget review turns to the County Council.
- The County Charter requires that the Council hold at least two public hearings on the Proposed Operating Budget between April 20 and May 10, inclusive.
- During April and May, the Council committees and staff review the Proposed Operating Budget with Office of Management and Budget staff and departmental representatives.
- The Council committees complete their agency reviews by mid-May and present their recommendations to the full Council. The Council must adopt the Annual Budget and Appropriations Ordinance before June 1. It subsequently submits the Ordinance to the County Executive for signature.
- The Approved Operating Budget takes effect on July 1, the beginning of the fiscal year.

Formulation of the proposed operating budget involves a number of planning processes in addition to those described above. The financial plans presented to the New York bond rating agencies each year establish a number of guidelines important in shaping the coming year's budget. The Ten-Year Water and Sewer Plan (which guides development activity within the County and is updated annually) influences several aspects of the budget. Planning for the Capital Budget also affects decisions on the Operating Budget, as described later in this chapter.

County legislation approved in 1997 established a Spending Affordability Committee composed of five members. This Committee makes preliminary recommendations before October 1 of each year on spending affordability and ways to improve budgetary and financial procedures and policies. Final reports on these spending affordability guidelines are submitted on or before January 1 so that the recommendations can be incorporated in the budget development and review process.

Development of the Capital Budget and the Six-Year Capital Improvement Program

The development of the Capital Budget and the six-year Capital Improvement Program (CIP) is analogous to that of the Operating Budget. Three phases are included: formulation of capital budget requests, executive review and proposal, and Council review and adoption. Each of these is described below.

I. Formulating Capital Budget Requests: August - September

- In August of each year, the Director of the Office of Management and Budget issues policy guidance and instructions to agencies and departments based upon the County Executive's priorities and the County's financial ability to issue new debt.
- During the month of September, agency heads assess their department's capital needs, relying upon prior planning studies and documents, functional plans, the Public Land and Facilities Inventory, and the Public Facility Development Program prepared by the Maryland-National Capital Park and Planning Commission. Facility requests are programmed over the six-year capital program period, in keeping with departmental priorities and fiscal guidelines. Submissions are due to the Office of Management and Budget by October 1 of each year.

II. Executive Review and Proposal: October - March

- Capital budget program requests are reviewed by Office of Management and Budget staff between October and January. Discussions are held between agencies and the Office of Management and Budget to ensure conformance with fiscal guidelines, development studies, and the County Executive's commitments.
- The County Executive holds at least one public hearing on the capital and operating budgets during the last two weeks of January.
- The Office of Management and Budget makes recommendations to the Chief Administrative Officer and the County Executive regarding the composition of the Capital Budget and program, reformulating agency submissions when necessary to conform to financial guidelines regarding debt issuance.
- The County Executive submits the Proposed Capital Budget and Six-Year Capital Improvement Program to the Council no later than March 31.

III. County Council Review and Adoption: April - May

- During April and May, County Council staff review the Proposed Capital Budget and Program with staff from the Office of Management and Budget and departmental representatives.
- Between April 20 and May 10, the Council holds two public hearings on the Proposed Operating Budget and the Proposed Capital Budget.
- The Council, sitting as the Committee of the Whole, completes its review of the Capital Budget and Program by mid-May. The Council must adopt the Annual Budget and Appropriations Ordinance before June 1. Subsequently, it submits the Ordinance to the County Executive for signature.
- The Approved Capital Budget takes effect on July 1, the first day of the new fiscal year.

Budget Amendment Process

An agency may transfer its own funds internally from one category to another with the approval of the County Executive. Budget amounts cannot be transferred from one agency to another except only by a County Council Legislative Act (generally a Resolution) upon the recommendation of the County Executive. Similarly, funds specifically set aside in a contingency account in the Approved Budget can be transferred to agencies by Legislative Act upon the recommendation of the County Executive; grant funds which were not included in the Approved Budget can be added to agency budgets by County Council Resolution.

Any other supplementary appropriations that are needed require the recommendation of the County Executive and the adoption of a Council Bill, which requires the Council to hold a public hearing on the proposal. Prior to the submission of any supplementary appropriation, the Director of Finance must certify in writing that sufficient funds are available for such appropriation.

Capital Budget changes require a different procedure. Upon the recommendation of the County Executive, the Council may amend the Capital Budget by a two-thirds affirmative vote on a Council Bill. These Capital Budget changes must contain an offsetting decrease for every increase; in no event can the total appropriation for the Capital Budget be increased beyond the approved amount.

RELATIONSHIP BETWEEN THE CAPITAL AND OPERATING BUDGETS

The Capital and Operating budgets affect each other in a number of ways. The amount of debt that can be supported by the Operating Budget helps determine the value of the bonds that can be sold in any given fiscal year. Operating Budget resources, as governed by the County's revenue and by its budget stability and debt management policies, determine the level and composition of the County's Capital Budget. The County's debt policy contains guidelines to help the County stay within a sound fiscal framework despite year-to-year variations in the amount of resources available for debt service.

Capital Budget decisions affect the Operating Budget in several ways. First and foremost is the amount of Operating Budget revenue that must be used to provide for debt service payments on any general obligation bonds sold to fund capital projects. A key element of the County's debt management policy is to restrict debt service to 8% or less of the County's total Operating Budget to ensure that debt service payments will not overburden operating resources. The County will continue to be well within these guidelines in the coming fiscal year.

A second potential impact of the Capital Budget on the Operating Budget is the possible appropriation of General Fund revenues for transfer to the Capital Fund. Although the great majority of capital projects are funded through the sale of general obligation bonds, the County will occasionally fund a capital project from General Fund operating revenues.

The third impact the Capital Budget has on the Operating Budget consists of the operating and maintenance costs associated with the completed facilities. The greatest operating impacts occur with a new facility, such as the opening of a new branch library. In such instances, costs relating to new professional staff, new maintenance and support staff, and additional operating and utility expenses must all be included in the Operating Budget.

Other types of capital projects may have a relatively small impact on the Operating Budget. Renovations rarely increase operating costs much, if at all. Road, storm drainage, and other infrastructure projects do not normally result in the need for additional costs. However, when such projects reach a critical mass, additional maintenance staff will be needed, and at some point in the future, resurfacing and other expensive maintenance activities will be required.

Capital expenditures can also have positive impacts on the Operating Budget. For instance, infrastructure maintenance funded through the Capital Budget can result in substantial Operating Budget savings. An example is the resurfacing of roads using capital budget funds, which usually reduces the need for temporary repairs of potholes and other maintenance funded from the Operating Budget. Likewise, the renovation of an old facility will usually result in lower maintenance or operating costs for that facility.